

**Army Programs**

# **Management Control**

**Headquarters  
Department of the Army  
Washington, DC  
1 August 1994**

**Unclassified**

# ***SUMMARY of CHANGE***

AR 11-2

Management Control

This revision--

- o Changes the terminology from "Internal Management Control Program" to "Management Control Process" to eliminate confusion over the meaning of "internal", to place greater focus on management's responsibility for effective controls, and to counter the perception of management control as a separate program.
- o Restructures the Army management control process to provide greater flexibility to commanders and managers and to increase their accountability for the effectiveness of their controls.
- o Establishes a Senior Management Council to advise the Secretary of the Army on management control issues (para 1-11).
- o Addresses the responsibilities of Management Control Administrators and Internal Review Officers (paras 1-16 and 1-17).
- o Redefines assessable units and establishes minimum rank/grade requirements for assessable unit managers (para 2-1).
- o Limits performance agreement requirements to commanders and managers at assessable unit manager level and above (paras 2-1 and 2-10).
- o Focuses required management control evaluations on key management controls identified by HQDA functional proponents in governing regulations (paras 2-3 and 2-4).
- o Requires the publication of Management Control Evaluation Checklists in governing regulations and permits the use of existing management review processes as an alternative method for conducting evaluations (para 2-4).
- o Redefines the Management Control Plan (para 2-5).
- o Clarifies guidance on reporting of material weaknesses and implements DOD guidance on validating correction of material weaknesses prior to reporting them as closed (para 2-6).
- o Clarifies guidance on required documentation (para 2-9).
- o Publishes the Management Control Evaluation Checklist for administration of the management control process in the new streamlined format (app C).

Effective 1 October 1994

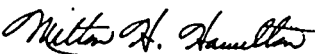
**Army Programs**

**Management Control**

**By Order of the Secretary of the Army:**

**GORDON R. SULLIVAN**  
*General, United States Army*  
*Chief of Staff*

**Official:**

  
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**History.** This UPDATE printing publishes a revision of this publication. Because the publication has been extensively revised, the changed portions have not been highlighted.

**Summary.** This regulation implements public law and Office of Management and Budget (OMB) and Department of Defense (DOD) guidance by prescribing policies and guidance for the Army management control process. It has been revised to simplify and reduce administrative requirements, to provide greater flexibility in implementation, and to increase the involvement and accountability of commanders and managers. This regulation does not contain instructions for the evaluation of Army accounting systems. These instructions are provided in DOD

7000.14-R, Volume 1, General Financial Management Information, Systems and Requirements.

**Applicability.** This regulation applies to commanders and managers at all levels of the Active Army (including Civil Works responsibilities of the Corps of Engineers), the Army National Guard, and the United States Army Reserve. It remains in effect during all levels of mobilization. Combatant commands and joint activities for which the Army is executive agent are supported by the Army management control process.

**Proponent and exception authority.** The proponent of this regulation is the Assistant Secretary of the Army (Financial Management) (ASA(FM)). The ASA(FM) has the authority to approve exceptions to this regulation that are consistent with controlling law and regulation. The ASA(FM) may delegate this approval authority, in writing, to a division chief under their supervision within the proponent agency who holds the grade of colonel or the civilian equivalent.

**Army management control process.** This regulation contains management control provisions and provides a Management Control Evaluation Checklist for use in evaluating management controls.

**Supplementation.** Supplementation of this

regulation is permitted at the Major Command (MACOM) level to accommodate local circumstances. Supplementation below MACOM level is prohibited without prior approval from the proponent (ATTN SAFM-FOM, Assistant Secretary Army Financial Management, 109 Army Pentagon, Washington, DC 20310-0109).

**Interim changes.** Interim changes to this regulation are not official unless they are authenticated by the Administrative Assistant to the Secretary of the Army. Users will destroy interim changes on their expiration dates unless sooner superseded or rescinded.

**Suggested improvements.** Users of this regulation are invited to send comments and suggested improvements on DA Form 2028 (Recommended Changes to Publications and Blank Forms) directly to: ATTN SAFM-FOM, Assistant Secretary Army Financial Management, 109 Army Pentagon, Washington, DC 20310-0109.

**Distribution.** Distribution of this publication is made in accordance with the requirements on DA Form 12-09-E, block 2024, intended for command levels A, B, C, and D for the Active Army, the Army National Guard, and the United States Army Reserve.

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\* This regulation supersedes AR 11-2, 14 September 1990.

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## **Chapter 1**

### **Authority and Responsibilities**

#### **Section I**

##### **General**

##### **1-1. Purpose**

This regulation prescribes policies and responsibilities for the Army's management control process. The provisions of this regulation apply to all Army organizations and programs. This regulation restructures the Army's management control process to reinforce the accountability of Army commanders and managers for establishing and maintaining effective management controls and to provide them with greater flexibility in their evaluation of these controls.

##### **1-2. References**

Required and related publications and prescribed and referenced forms are listed in appendix A.

##### **1-3. Explanation of abbreviations and terms**

Abbreviations and special terms used in this regulation are explained in the glossary.

##### **1-4. Statutory authority**

a. The Army's management control process meets the requirements of the Accounting and Auditing Procedures Act of 1950, as amended by the Federal Managers' Financial Integrity Act of 1982, Public Law 97-255 (codified at 31 U.S.C. section 3512). The Accounting and Auditing Procedures Act of 1950 is implemented within the executive branch by OMB Circular A-123 and within DOD by DOD Directive 5010.38.

b. The Federal Managers' Financial Integrity Act (the Integrity Act) required the head of each executive agency to—

(1) Establish management controls to provide reasonable assurance that: obligations and costs are in compliance with applicable laws; funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; revenues and expenditures are properly recorded and accounted for; and programs are efficiently and effectively carried out according to the applicable law and management policy.

(2) Report annually to the President and Congress on whether these management controls comply with requirements of the Integrity Act, to include the following:

(a) A report identifying any material weaknesses in these management controls, along with plans for their correction, and

(b) A report on whether accounting systems comply with the principles, standards, and related requirements prescribed by the Comptroller General, to include deficiencies and plans for their correction.

#### **Section II**

##### **Responsibilities**

##### **1-5. Secretary of the Army (SA)**

The SA will sign and submit an annual statement of assurance to the Secretary of Defense on the status of the Army's management controls.

##### **1-6. Assistant Secretary of the Army (Financial Management) (ASA(FM))**

a. The ASA(FM) has overall responsibility for implementing the Army management control process. The ASA(FM) has delegated responsibility to the Deputy Assistant Secretary of the Army (Financial Operations), as executive agent, for providing overall guidance and direction for implementing the Army management control process.

b. The Director, Management Control and Evaluation Programs, will—

(1) Formulate Army policy for implementing the Integrity Act and issue administrative guidance and instructions.

(2) Analyze documents from the Congress, the General Accounting Office (GAO), the OMB, the Comptroller General, the Office of the Secretary of Defense (OSD), and others related to the Integrity Act, to identify and effect needed changes to the Army's management control process.

(3) Advise and represent the ASA(FM) on matters involving the Army management control process.

(4) Provide guidance and technical assistance directly to management control administrators (MCAs) at Headquarters Department of the Army (HQDA) and MACOMs.

(5) Prepare and staff the SA's annual statement on management controls and provide midyear updates as required on previously-reported material weaknesses.

(6) Coordinate with the United States Army Audit Agency (USAAA) and HQDA functional proponents on the identification of management control weaknesses that merit reporting as material weaknesses in the SA's annual statement.

(7) Develop management control training materials for use by reporting organizations and their assessable units; Army schools that provide executive development/management training; and audit, inspection, and other organizations whose personnel assess the effectiveness of management controls.

(8) Develop and maintain a tracking system to ensure that material weaknesses reported in the SA's annual statement are corrected in a timely manner.

(9) Develop and staff the Army position on GAO, USAAA, DOD Inspector General and similar organizations' reports on the overall Army management control process.

(10) Develop and maintain an inventory of Army assessable units, based on input from the HQDA staff and MACOMs.

(11) Develop, maintain and distribute annually an inventory of functional areas with key management controls.

##### **1-7. HQDA functional proponents**

HQDA functional proponents, for their areas of functional responsibility, will—

a. Develop and maintain policies and regulations that include effective management controls.

b. Determine, in consultation with USAAA, the key management controls and explicitly identify these in appropriate regulations.

c. Develop Management Control Evaluation Checklists or identify other evaluation methods and include these in the applicable Army Regulation (AR).

d. Determine which management control weaknesses merit reporting as material weaknesses in the SA's annual statement and provide the Army material weakness description and plan of corrective action to OASA(FM).

e. Track the progress on correcting material weaknesses reported in the SA's annual statement and provide status updates when requested by OASA(FM).

f. Assist OASA(FM) in composing and reviewing the SA's annual statement to maintain effective quality control over the accuracy of information reported.

##### **1-8. Administrative Assistant to the Secretary of the Army**

The Administrative Assistant will—

a. Implement and administer the management control process and handle HQDA functional proponent responsibilities within the Office of the Secretary of the Army (OSA) and joint DOD activities supported by OSA, except for the following elements: the Assistant Secretary of the Army (Research, Development and Acquisition); the Director of Information Systems for Command, Control, Communications, and Computers; The Inspector General; The Auditor General; and the ASA(FM) (these elements will comply with paras 1-7 and 1-12).

b. Coordinate with the Director of the Army Staff to resolve issues of proponent responsibility for ARs and material weaknesses.

### **1-9. The Auditor General**

The Auditor General, in addition to responsibilities in paragraph 1-7 and 1-12, will—

- a. Provide technical advice, assistance, and consultation on management controls to HQDA functional proponents as necessary.
- b. Coordinate with HQDA functional proponents on the determination of key management controls and advise them on the development of Management Control Evaluation Checklists.
- c. During the normal course of audits, evaluate the effectiveness of management controls, the adequacy of management control evaluations, and the adequacy of actions taken to correct material weaknesses.
- d. Provide periodic reports to OASA(FM) summarizing management control weaknesses identified in USAAA audits.
- e. Identify proposed Army-level material weaknesses and provide these to HQDA functional proponents and OASA(FM) by 31 August for possible reporting in the SA's annual statement.
- f. Prepare and submit an annual statement to the SA assessing implementation of the management control process.
- g. Prepare and submit annually to the DOD Inspector General (IG) a list of potential Army material weaknesses identified during audits, along with the Army position on these potential material weaknesses.

### **1-10. The Inspector General**

The Inspector General, in addition to the responsibilities listed in paragraphs 1-7 and 1-12, will—

- a. During the normal course of inspections, consider management controls in the assessment of systemic issues and problems and make appropriate recommendations.
- b. Provide periodic reports to OASA(FM) summarizing management control weaknesses identified in inspections.

### **1-11. Senior management council**

A senior management council will be convened through special sessions of the Senior Level Steering Group (SLSG). Chaired by the ASA(FM) and representing all HQDA functional proponents, this council will meet as needed to provide advice on management control matters, to include the identification of management control weaknesses that merit reporting in the SA's annual statement (reporting organizations are encouraged to establish senior management councils that function in a similar fashion).

### **1-12. Reporting organizations**

HQDA staff agencies (less Secretariat elements covered by the Administrative Assistant), MACOMs and separately-reporting field operating agencies (FOAs) are the primary reporting organizations in the Army management control process. The heads of these organizations are responsible for carrying out the Army management control process within their organizations and will—

- a. Provide the leadership and support needed to ensure that management controls are in place and operating effectively.
- b. Designate a senior responsible official to ensure that the management control process is effectively implemented within their organization.
- c. Designate the assessable units within the organization.
- d. Sign and submit an annual statement of assurance that accurately describes the status of management controls within their organization, to include any material weaknesses and plans for corrective action, and submit this statement to OASA(FM).
- e. Support DFAS-IN in its preparation of the annual Army Accounting Systems Report by ensuring that their accounting system managers provide accurate and timely System Manager/User Reviews.

### **1-13. Senior responsible officials**

Designated by the head of the reporting organization, the senior responsible official has overall responsibility for ensuring the implementation of an effective management control process within that organization. In this regard, they will—

a. Designate an MCA to administer the management control process within the reporting organization and to serve as a focal point for all management control matters.

b. Oversee the preparation of an annual statement that accurately describes the status of management controls in the reporting organization and fully discloses any material weaknesses in management controls, along with plans for their correction.

### **1-14. Assessable unit managers**

Designated by the head of the reporting organization, these commanders/managers of assessable units will—

- a. Provide the leadership and support needed to ensure that management controls are in place and operating effectively.
- b. Ensure that—
  - (1) Managers are trained and understand their management control responsibilities.
  - (2) A management control plan (MCP) is established and maintained to describe how key management controls in the assessable unit will be evaluated over a five-year period.
  - (3) Management control evaluations are conducted according to the MCP and the requirements of this regulation.
  - (4) Required documentation on each completed management control evaluation is retained, subject to audit/inspection.
- c. Certify the results of required management control evaluations.
- d. Report through the chain of command any material weaknesses in management controls, establish and implement plans to correct those material weaknesses, and track progress in executing those plans until the material weakness is corrected.

### **1-15. Commanders of installations, table of organization and equipment (TOE) divisions, major subordinate commands and the numbered Continental United States Armies (CONUSA), and State Adjutants General**

In conjunction with program guidance issued by their MACOM, these commanders and State Adjutants General will—

- a. Ensure that required management control evaluations are conducted according to the governing MCP.
- b. Ensure that management control responsibilities are explicitly covered in the performance agreements of commanders and managers down to assessable unit manager level.

### **1-16. Management control administrators (MCA)**

The MCA is designated by the senior responsible official to administer the management control process within the reporting organization (MCAs designated at lower levels would have similar duties). The MCA will—

- a. Advise the senior responsible official on the implementation and status of the organization's management control process.
- b. Keep commanders and managers informed on management control matters.
- c. Identify the organization's requirements for management control training and provide that training.
- d. Develop and maintain an MCP for the organization or provide guidance to assessable unit managers on the preparation of assessable unit MCPs.
- e. Coordinate the preparation of the organization's annual statement on management controls.
- f. Ensure that material weaknesses for which the organization is responsible are tracked until corrected.
- g. Retain all required documentation in support of annual statements and the correction of material weaknesses.

### **1-17. Internal Review Officers**

In their capacity as heads of Internal Review and Audit Compliance Offices, Internal Review Officers will—

- a. Provide technical advice, assistance and consultation on management controls to assessable unit managers within their organizations as necessary.
- b. During the normal course of audits, evaluate the effectiveness of management controls and the adequacy of management control evaluations and actions taken to correct material weaknesses.

c. Based on a review of internal and external audit reports, identify any weaknesses in management controls that merit reporting as material weaknesses.

d. If aligned at the headquarters of a reporting organization, review the organization's annual statement and provide an assessment of its thoroughness and validity.

#### **1-18. Director, Defense Finance and Accounting Service-Indianapolis Center (DFAS-IN)**

Until all Army finance and accounting operations and systems are capitalized, the Director, DFAS-IN is responsible for—

a. Determining key management controls in finance and accounting and the appropriate evaluation methods and explicitly identifying these in governing policy directives.

b. Providing overall guidance and direction to Army accounting system managers for the evaluation, improvement, and reporting on Army accounting systems.

c. Preparing the annual Army Accounting System Report, using System Manager/User Reviews submitted by Army system managers, and provide the report to OASA(FM) ATTN: SAFM-FOM, for review and inclusion in the SA's annual statement.

## **Chapter 2 Policy and Requirements**

### **2-1. Army management control policy**

a. All commanders and managers have an inherent responsibility to establish and maintain effective management controls, assess areas of risk, identify and correct weaknesses in those controls and keep their superiors informed. In this respect, the Integrity Act and OMB Circular A-123 codify this inherent responsibility.

b. Heads of reporting organizations and assessable unit managers are responsible for understanding and applying the Comptroller General Standards for Internal Control in the Federal Government (app B) and for conducting periodic evaluations of key management controls identified by HQDA functional proponents in applicable ARs.

c. Heads of reporting organizations and assessable unit managers will give high priority to the prompt correction of material weaknesses and to the effective implementation of management controls that—

(1) Are identified as key management controls by HQDA functional proponents.

(2) Pertain to the DOD High Risk Areas identified by OMB.

(3) Pertain to any other high risk areas identified by DOD or Army leadership.

(4) Pertain to areas of vulnerability that they themselves have identified.

(5) Directly support the accomplishment of Army goals.

d. Heads of reporting organizations and assessable unit managers must be forthright in reporting material weaknesses in key management controls. The chain of command should encourage the prompt and full disclosure of such problems and ensure that commanders and managers are not penalized for this.

e. Reporting organizations will be segmented into assessable units consisting of subordinate organizations headed by senior managers, preferably at General Officer/Senior Executive Service level, but not lower than Colonel/GM-15 level. The only exception is at Army garrison level, where assessable units may be headed by the senior functional managers. Reporting organizations will identify these assessable units to OASA(FM), ATTN: SAFM-FOM, which will maintain an inventory of Army assessable units as required by OMB Circular A-123.

f. Performance agreements for Army commanders and managers with management control responsibility down to assessable unit manager level must include an explicit statement of this responsibility to permit appropriate evaluation (see para 2-10).

g. No Army activity or program is exempt from the requirements

of the Integrity Act and OMB Circular A-123. This includes all personnel assigned to Army organizations and activities for which the Army is executive agent.

(1) The Army management control process is not intended, however, to limit or interfere with matters such as statutory development or interpretation, determination of program needs, resource allocation, rule-making, or other discretionary policy-making activities.

(2) For activities or functions that are contracted out, Army managers performing related functions that are inherently governmental in nature (for example, property accountability, contract administration, and quality assurance) must comply with the requirements of this regulation. If a contractor is expected to conduct management control evaluations, these must be included as a contract requirement.

### **2-2. Reasonable assurance**

a. *Background.* In the context of the Integrity Act, "reasonable assurance" refers to a satisfactory level of management confidence that management controls are adequate and are operating as intended. Inherently a management judgment, reasonable assurance recognizes that there are acceptable levels of risk that cannot be avoided because the cost of absolute control would exceed the benefits derived.

b. *Basis for reasonable assurance.* The determination of reasonable assurance is a subjective management judgment. The subjectivity of this judgment can be reduced significantly by considering the following:

(1) The degree to which all managers understand and adhere to the Comptroller General Standards.

(2) The degree to which managers are held formally accountable for the effectiveness of their management controls and are evaluated on their performance in this regard.

(3) The timeliness, adequacy and results of management control evaluations, to include the correction of any management control weaknesses detected.

(4) Assessments from other sources (for example, audits, inspections, and investigations), media coverage, and direct management reviews or assessments by senior officials.

(5) Supporting annual statements from subordinate commanders, managers or assessable unit manager.

c. *Reporting.* At each level, the annual determination of reasonable assurance is a management judgment, based on all available information, on whether management controls are operating as intended. The head of each reporting organization must submit a statement that provides their assessment of the overall status of management controls and describes the basis for that determination.

(1) Where the statement provides an unqualified statement of assurance, it should be supported by clear indications that subordinate commanders and managers—

(a) Understand and adhere to the Comptroller General Standards.

(b) Are formally held accountable for the effectiveness of their management controls.

(c) Have evaluated key management controls as required by applicable MCPs.

(d) Have reported material weaknesses and have taken corrective action to resolve them.

(2) Where the statement provides a "qualified" statement of assurance, the area(s) in question should be specified and related to material weaknesses being reported.

### **2-3. Key management controls**

a. *General.* The management control process does not attempt to evaluate management controls for every requirement imposed on managers. It recognizes the principle that the cost of management controls must not exceed the benefit derived. This constraint is reflected in the concept of reasonable assurance. The Army accepts a certain amount of risk by requiring that assessable unit managers concentrate on the adequacy of management controls, as specified in the Comptroller General Standards, and key management controls, as specified by HQDA functional proponents. Key management controls are those controls that are absolutely essential to ensuring

that critical processes operate as intended and that resources are safeguarded from fraud, waste and misuse. Various factors might be considered in deciding which controls are the key controls, but the fundamental criteria is the severity of adverse impact, should the control fail, or fail to be used (that is, a key control is one whose failure would "break" or seriously impair the system). The determination of key management controls must be based on a recognition that properly-conducted management control evaluations impose a significant cost on Army managers and that these managers must be able to give priority attention to the truly critical controls.

*b. Identification.* HQDA functional proponents must use their professional judgment to identify key management controls and must explicitly identify them in appendixes to the governing AR (see para 2-4d). The HQDA functional proponent's process for determining the key management controls in each area must include coordination with USAAA to ensure a common baseline for audit purposes and executive-level approval of key controls to ensure that excessive coverage is avoided.

*c. Revisions.* After the initial determination of key management controls, HQDA functional proponents must reevaluate this determination whenever major deficiencies are identified (for example, by management reviews, audits or inspections), when policies are significantly revised or when standard systems are modified or replaced. Any standard Management Control Evaluation Checklists that are affected must also be revised to ensure consistency in published guidance.

*d. Field supplementation.* Field supplementation is permitted but not required. The key management controls identified by HQDA functional proponents are the minimum requirement for the management control evaluation. Suggested changes to these key management controls should be submitted directly to the HQDA functional proponent. Commanders and managers may require additional coverage in management control evaluations to address command-unique or location-unique circumstances.

#### **2-4. Management control evaluations**

*a. General.* A management control evaluation is a detailed, systematic, and comprehensive examination of the key management controls to determine whether they are in place, being used as intended, and effective in achieving their purpose. This evaluation must be based on the actual testing of these key management controls, using one of several approaches: direct observation, file/document analysis, sampling, or simulation. This evaluation of key management controls must make a specific determination of their effectiveness. Finally, this evaluation must be supported by documentation that clearly indicates who conducted the evaluation and when, what methods were used to test the key controls, what management control deficiencies (if any) were detected, and what corrective actions were taken.

*b. Requirement.* Formal management control evaluations of key management controls must be conducted at least once every five years. Key management controls in any area identified by DOD or Army leadership as "high-risk" may require more frequent evaluation. The OASA(FM) will publish an annual inventory of areas where HQDA functional proponents have identified key management controls, along with information on the governing AR and any suggested or required methods for conducting the evaluation.

*c. Certification.* The assessable unit manager's certification that a required management control evaluation has been conducted will be documented on DA Form 11-2-R (Management Control Evaluation Certification Statement). The DA Form 11-2-R will be reproduced locally on 8½- by 11-inch paper. A copy for reproduction purposes is located at the back of this regulation. Additionally, the DA Form 11-2-R may be electronically generated. The electronically generated form must contain all data elements and follow the exact format of the existing printed form. The form number of the electronically generated form will be shown as DA Form 11-2-R-E and the date will be the same as the date of the current edition of the printed form.

*d. Methods for evaluating management controls.* HQDA functional proponents may identify a management control evaluation process for use in evaluating key management controls. All management control evaluations will be conducted in one of two ways:

(1) Management Control Evaluation Checklists. The HQDA functional proponent may develop a Management Control Evaluation Checklist and publish it as an appendix in the governing AR for use by managers in evaluating key management controls. Figure 2-1 is the format for a Management Control Evaluation Checklist. The Management Control Evaluation Checklist identifies the key management controls and provides managers a tool to evaluate the effectiveness of these controls. Commanders and managers may use the checklist to conduct their management control evaluations or, as an alternative, they can use an existing management review process of their own choosing, so long as the method chosen meets the basic requirements of a management control evaluation outlined above.

(2) Existing management review processes. In many areas, there may be existing management review processes that meet, or can be modified to meet, the basic requirements of a management control evaluation. Some of these processes are unique to a specific functional area, while others are more generic, for example, the use of local inspector general or audit personnel or the command review and analysis process. HQDA functional proponents may suggest an existing management review process for evaluating key management controls; or they may require the use of a specific functional management review process, so long as it is an existing Army-wide process and one for which they are the functional proponent. HQDA functional proponents must provide the necessary information as an appendix to the governing AR. Figure 2-2 is the format for identifying key management controls and evaluation processes if a checklist is not provided. Unless the HQDA functional proponent requires the use of an existing Army-wide functional management review process, commanders and managers are free to choose the method of evaluation.

#### **2-5. Management control plans**

The MCP is the written plan for conducting required management control evaluations within the assessable unit over a five-year period. The MCP need not be lengthy and any format may be used, so long as it covers the key management controls identified by HQDA functional proponents and communicates clearly to subordinate managers what areas are to be evaluated, who will conduct the evaluation and when. The MCP may be developed at either the reporting organization or the assessable unit level. It may be structured by functional areas (for example, information security, maintenance of real property) or by major organizational components (Director of Logistics, Director of Contracting). It might list the governing ARs that identify key management controls, or the method to be used for conducting the evaluation. The MCP must be kept current and used to monitor progress to ensure that all management control evaluations are conducted as scheduled. An inventory of areas with key management controls will be provided annually by OASA(FM) to reporting organizations to assist in developing their MCPs.

#### **2-6. Identifying, reporting, correcting and tracking material weaknesses**

*a. Background.* The absence or ineffectiveness of management controls constitutes a management control weakness that must be corrected. Whether the weakness is serious enough to be considered material and reported to the next level of command is a management judgment which must be made based on the criteria and other factors outlined below. The reporting of material weaknesses is not a new requirement, since managers have always had an inherent responsibility to keep the next level of management informed of sensitive problems and issues. This ability of management at all levels to detect, or be aware of, management control weaknesses, and to take corrective action, is the fundamental goal of the Integrity Act.

*b. Reporting process.* The initial determination of whether a weakness in management controls is material can be made at any



level of command. If the weakness is considered material and reported, the determination of materiality is then reevaluated at each successive level of command. The final determination of whether a weakness merits reporting in the SA's annual statement is made by the appropriate HQDA functional proponent.

c. *Essential criteria for material weaknesses.* To be considered material, a weakness must meet the following two conditions:

(1) It must involve a weakness in management controls, such as management controls are not in place, are not being used or are inadequate. Resource deficiencies in themselves are not management control weaknesses.

(2) It must warrant the attention of the next level of command, either because that next level must take action or because it must be aware of the problem. This requires a subjective management judgment, particularly in determining whether the next level of command must be aware of a weakness. The fact that a weakness can be corrected at one level does not exclude it from being reported to the next level, since the sharing of important management information is one of the primary reasons for reporting a material weakness.

d. *Other factors.* To assist in making judgments on whether management control weaknesses are material, the following factors should be considered: actual or potential loss of resources; sensitivity of the resources involved; magnitude of funds, property or other resources involved; actual or potential frequency of loss; current or probable media interest (adverse publicity); current or probable Congressional interest (adverse publicity); unreliable information causing unsound management decisions; diminished credibility or reputation of management; impaired fulfillment of essential mission; violation of statutory or regulatory requirements; information security risk; and public deprivation of needed Government services.

e. *Correction.* Each material weakness reported must include a plan of corrective action. DOD now requires that the last milestone in this plan be a validation that the corrective actions have in fact resolved the weakness. Material weaknesses may not be closed until this validation milestone has been accomplished. Detailed guidance on format and other requirements for reporting material weaknesses is provided in OASA(FM)'s annual instructions for the preparation of feeder statements.

f. *Tracking.* As indicated above, material weaknesses are reported to higher headquarters either because that level must be aware of the weakness or because it must take corrective action. In the case of material weaknesses reported for awareness, reporting organizations are responsible for tracking the weakness to ensure that corrective actions are completed and that the weakness is effectively resolved. In the case of material weaknesses reported for corrective action, tracking of the weakness will depend on the higher headquarters' disposition of the issue. The system established to track material weaknesses should not duplicate the normal tracking functions of internal review organizations. Tracking of an audit finding may well meet the requirement for tracking of a reported material weakness. It should be kept in mind, however, that a finding by auditors and a material weakness identified by management may not be identical. They may be different in scope and may have different corrective actions. Where they are significantly different, the tracking system used must be able to effectively track the correction of the material weakness.

## 2-7. Use of audit and inspection reports

a. HQDA functional proponents, commanders, and assessable unit managers can often take corrective or preventive action based on problems identified in audit and inspection reports. Such reports may only address a management control problem at one installation, but managers throughout the Army can use these reports to identify potential problems in their own areas of responsibility and take timely action to prevent them.

b. Audit and inspection organizations ensure distribution of their reports to managers with primary and collateral interests. In addition, the Auditor General and Army IG organizations prepare summaries of management control weaknesses identified in their reports. The DOD IG also publishes periodic summaries of management

control weaknesses identified in their reports and those of GAO. These summaries are distributed by the ASA(FM) to MCAs at all reporting organizations. By distributing these summaries within their organizations, MCAs can ensure that their managers are aware of management control weaknesses in other locations and have the opportunity to review their own operations for similar problems. Finally, the Auditor General supports the development of the SA's annual statement by identifying potential Army material weaknesses for consideration by HQDA functional proponents.

## 2-8. Army reporting requirements

The Integrity Act requires the Secretary of Defense to submit an annual statement to the President and the Congress on the status of management controls within DOD. In addition, OMB requires mid-year updates on the status of material weaknesses previously reported by DOD. The Army supports DOD in meeting these requirements in two ways:

a. *Annual Statement of Assurance (Requirements Control Symbol (RCS) CSCOA-98).* By mid-November, the SA must submit his annual Statement of Assurance to the Secretary of Defense for use in preparing the DOD annual statement to the President and Congress. The SA's annual statement is based primarily on annual statements from HQDA staff principals and MACOM commanders. OASA(FM) will issue instructions in May for the preparation of these annual statements.

b. *Midyear update (RCS DD-COMP(AR)-1618).* A formal Mid-year Status Report on previously-reported Army material weaknesses is no longer required by OSD. The Army is required, however, to report to OSD at midyear any major changes in the plans for correcting these material weaknesses. OASA(FM) will issue appropriate guidance in February of each year to the HQDA functional proponents for Army material weaknesses.

## 2-9. Required documentation

a. *Management control evaluations.* The MCP will serve to document the required schedule of management control evaluations within the assessable unit. The MCP will identify those areas to be evaluated, the fiscal year for the evaluation and the official responsible for ensuring that the evaluation is conducted. Management control evaluations must be supported by specific documentation, regardless of the method used to conduct the evaluation. At a minimum, this supporting documentation must clearly indicate who conducted the evaluation, the date the evaluation was conducted, what methods were used to test key management controls, what management control weaknesses (if any) were detected, and what corrective actions were taken.

b. *Annual statements and material weaknesses.* Reporting organizations are responsible for maintaining copies of their annual statements, along with complete supporting documentation. Organizations responsible for tracking the correction of material weaknesses are also responsible for maintaining documentation on the status, effectiveness and validation of corrective actions. HQDA functional proponents are responsible for monitoring and documenting the correction of material weaknesses reported in the SA's annual Statement of Assurance.

c. *Retention.* Documentation on management control evaluations conducted, annual statements submitted and material weaknesses reported must be maintained according to AR 25-400-2.

(1) Assessable units must retain required documentation on the most recent management control evaluation.

(2) Reporting organizations must retain copies of their annual statements and supporting documentation for two years after submission of those statements.

(3) Reporting organizations must retain documentation on material weaknesses for two years after correction of the weakness.

## 2-10. Performance agreements

a. *Background.* OMB Circular A-123 requires that performance agreements of senior managers include an explicit statement of responsibility for management controls.

b. *Implementation.* Supervisors must include an explicit statement of responsibility for management controls in the performance agreements of commanders and managers responsible for the execution and/or oversight of effective management controls, down to assessable unit manager level. The absence of an explicit statement of responsibility must be based on the supervisors determination that the individual does not have significant management responsibilities.

(1) For military officers, it should be reflected under " Major Performance Objectives " in Part IV of the Officer Evaluation Report Support Form (DA Form 67-8-1).

(2) For " Senior System " civilian employees, under the new Total Army Performance Evaluation System (TAPES), it should be reflected under " Major Performance Objectives/Individual Performance Standards " in Part IV of the Senior System Civilian Evaluation Report Support Form (DA Form 7222-1).

(3) For non-appropriated fund personnel, guidance on performance standards is provided in AR 215-3.

c. *Application.* The explicit statement of responsibility should be brief and may take any form, but it must be specific enough to provide individual accountability. Supervisors may use a stand-alone element or may include the management control responsibility as part of a broader element. The following examples of explicit statements that would suffice:

(1) *HQDA principals.* These individuals should comply with paragraphs 1-7 and 1-12 of AR 11-2.

(2) *MACOM commanders.* These individuals should comply with paragraph 1-12 of AR 11-2.

(3) *Senior responsible officials.* These individuals should comply with paragraph 1-13 of AR 11-2.

(4) *Assessable unit managers.* These individuals should comply with paragraph 1-14 of AR 11-2.

---

Appendix X (*insert the appropriate letter*) Management Control Evaluation Checklist

X-1. Function. The function covered by this checklist is (*indicate the function covered by the checklist*)

X-2. Purpose. The purpose of this checklist is to assist (*indicate the intended users*) in evaluating the key management controls listed below. It is *not* intended to cover *all* controls.

X-3. Instructions. Answers must be based on the actual *testing* of key management controls (e.g., document analysis, direct observation, sampling, simulation, other). Answers which indicate deficiencies must be explained and corrective action indicated in supporting documentation. These management controls *must* be evaluated at least once every five years. Certification that this evaluation has been conducted must be accomplished on DA Form 11-2-R (Management Control Evaluation Certification Statement).

X-4. Test Questions. (*insert the test questions, worded such that negative answers indicate a management control weakness.*)

- a.
- b.
- c.

X-5. Supersession. This checklist replaces the checklist(s) for (*insert the task/subtask covered by the previous checklist*) previously published in (*insert the previous DA Circular number*) .

X-6. Comments. Help make this a better tool for evaluating management controls. Submit comments to

(*insert the complete mailing address for HQDA functional proponent*) .

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**Figure 2-1. Format of an appendix for a Management Control Evaluation Checklist**

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Appendix X (*insert the appropriate letter*) Management Control Evaluation Process

X-1. Function. (*indicate the function to be evaluated*)

X-2. Key Management Controls. (*list the key management controls to be evaluated*)

- a.
- b.
- c.

---

**Figure 2-2. Format of an appendix for a management control evaluation process not involving the use of checklists —Continued**

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X-3. Management Control Evaluation Process.

*(Briefly describe the existing management review process that is suggested or required for use in evaluating the key management controls identified above. For any process to be **required**, it must be an existing Army-wide functional process for which the HQDA functional proponent is responsible. If no process is being suggested or required, indicate "None.")*

**Figure 2-2. Format of an appendix for a management control evaluation process not involving the use of checklists**

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## Appendix A References

### Section I Required Publications

There are no entries in this section.

### Section II Related Publications

#### AR 25-400-2

The Modern Army Record Keeping System.

#### AR 215-3

Nonappropriated Funds and Related Activities Personnel Policies and Procedures.

#### DOD Directive 5010.38

Internal Management Control Program.

#### DOD 7000.14-R, Volume 1

General Financial Management Information, Systems and Requirements

#### OMB Circular A-123

Internal Control Systems.

### Section III Prescribed Forms

#### DA Form 11-2-R

Management Control Evaluation Certification Statement. (Prescribed in paragraph 2-4c).

### Section IV Referenced Forms

#### DA Form 67-8-1

Officer Evaluation Report Support Form.

#### DA Form 7222-1

Senior System Civilian Evaluation Report Support Form.

## Appendix B Comptroller General Standards for Internal Controls in the Federal Government

### B-1. Comptroller General standards

The Comptroller General of the United States established these standards for defining the minimum level of quality acceptable for management control systems. These standards (also known as the GAO Standards) constitute the criteria against which these systems are to be evaluated. Ensuring that management controls in each organization are in conformance with the Comptroller General Standards detailed in paragraphs B-2 through B-13 below, is the basic Integrity Act responsibility of every Army manager. Paragraphs B-2 through B-6 are general management control standards, paragraphs B-7 through B-12 are specific management control standards, and paragraph B-13 is an audit resolution standard.

### B-2. Reasonable assurance

*a. Standard.* Management controls are used to provide reasonable assurance that the objectives of the systems will be accomplished.

*b. Implementation.* This standard recognizes that the cost of management control should not exceed the benefit derived. Reasonable assurance equates to a satisfactory level of confidence under

given considerations of cost, benefit, and risk. There are sensitive resources for which the cost of controls cannot be an issue. However, for most resources and operations, the Army cannot afford to attain 100 percent compliance with requirements. Thus, the essential application of this standard is in defining acceptable performance within the reality of what can be accomplished. This realistic performance objective is the basis for judging the adequacy of applicable management controls. The determination of reasonable assurance is a judgment about the day-to-day effectiveness of management controls in achieving realistic objectives. These objectives may change as resources available for management controls are increased or decreased, due to budget revisions and other priorities.

### B-3. Supportive attitude

*a. Standard.* Managers and employees are to maintain and demonstrate a positive and supportive attitude toward management controls at all times.

*b. Implementation.*

(1) This standard requires Army managers to take steps to promote the effectiveness of management controls. A positive and supportive attitude initiated and fostered by management ensures that subordinate personnel consistently consider management controls a high priority.

(2) Attitude is not reflected in any one particular aspect of a manager's behavior, but rather it is nurtured by a manager's commitment and general leadership to promote strong controls for organizational staffing, personnel practices, communication, protection, and use of resources through systematic accountability, monitoring, and systems of reporting. It is very important for managers at all levels to demonstrate disciplined compliance with all duly established laws, policies, and requirements. Another important way for management to demonstrate its support for good management controls is to emphasize the value of internal auditing and to respond to information developed through internal audits. Other evidence includes clear lines of authority and responsibility, appropriate reporting relationships, appropriate separation of authority, and the general sensitivity of employees to the importance of management controls.

### B-4. Competent personnel

*a. Standard.* Managers and employees are to have personal and professional integrity and are to maintain a level of competence that allows them to accomplish their assigned duties, as well as understand the importance of developing and implementing good management controls.

*b. Implementation.* Many elements influence the integrity of managers and their staffs. For example, personnel should periodically be reminded of their obligations under an operative code of conduct. In addition, hiring and staffing decisions should include pertinent verification of education and experience and, once on the job, identification of necessary formal and on-the-job training. Managers who possess a good understanding of management controls are vital to effective control systems. Counseling and performance appraisals are also important. Overall performance appraisals and efficiency ratings for applicable managers should include an assessment of how well the individual has devised, implemented, and sustained essential management controls.

### B-5. Control objectives

*a. Standard.* Management control objectives are to be identified or developed for each agency activity and are to be logical, applicable, and reasonably complete.

*b. Implementation.* Control objectives should be tailored to fit the specific operations in each agency, and should be consistent with the overall objectives of management controls as set forth in the Integrity Act.

### B-6. Control techniques

*a. Standard.* Management control techniques are to be effective and efficient in accomplishing management control objectives.

*b. Implementation.*

(1) Management control techniques are the mechanisms by which control objectives are achieved. Techniques include, but are not limited to, specific policies, procedures, organization arrangements (including separation of duties, reconciliation, suspense, and physical observation actions), as well as essential physical measures (such as locks and fire alarms). To be effective, techniques should fulfill their intended purpose in actual application, provide necessary coverage, and operate when intended. As for efficiency, techniques should be designed to derive maximum benefit with minimum effort.

(2) A number of management control techniques are essential to providing reasonable assurance that the management control objectives will be achieved. These critical techniques are the specific standards discussed in section III.

#### **B-7. Documentation**

*a. Standard.* Management control systems and all transactions and other significant events are to be clearly documented, and the documentation is to be readily available for examination.

*b. Implementation.*

(1) This standard requires written evidence of an agency's management control objectives and techniques and accountability systems; and all pertinent aspects of transactions and other significant events of an agency. Also, the documentation must be available and easily accessible for examination.

(2) Documentation of management control systems should include identification of the cycles, related objectives, and techniques, and should appear in management directives, administrative policy, and accounting manuals. Documentation of transactions or other significant events should be complete and accurate and should facilitate tracing the transaction or event and related information, before it occurs, while it is in process, and after it is completed.

(3) Complying with this standard requires that the documentation of management control systems and transactions and other significant events be purposeful and useful to managers in controlling their operations, and to auditors or others involved in analyzing operations.

#### **B-8. Recording of transactions and events**

*a. Standard.* Transactions and other significant events are to be promptly recorded and properly classified.

*b. Implementation.*

(1) Transactions must be promptly recorded if pertinent information is to maintain its relevance and value to management in controlling operations and making decisions. This standard applies to the entire process or life cycle of a transaction or event and includes initiation and authorization, all aspects of the transaction while in process, and its final classification in summary records.

(2) Proper classification of transactions and events is crucial to organizing and formatting information on summary records from which reports and statements are prepared.

#### **B-9. Execution of transactions and events**

*a. Standard.* Transactions and other significant events are to be authorized and executed only by persons acting within the scope of their authority.

*b. Implementation.* This standard deals with management decisions to exchange, transfer, use, or commit resources for specified purposes under specific conditions. It is the principal means of ensuring that only valid transactions and other events are entered into. Authorization should be clearly communicated to designated individuals and should include the specific conditions and terms under which responsive actions are intended. Conforming to the terms of an authorization means that personnel are carrying out their assigned duties according to ARs and within the limitations established by management.

#### **B-10. Separation of duties**

*a. Standard.* Key duties and responsibilities in authorizing, processing, recording, and reviewing transactions should be separated among individuals.

*b. Implementation.* To reduce the risk of error, waste, or wrongful acts, or to reduce the risk of those acts going undetected, no one individual should control all key aspects of a transaction or event cycle. Rather, duties and responsibilities should be assigned systematically to a number of individuals to ensure that effective checks and balances exist. Key duties include authorizing, approving, and recording transactions; requisitioning, receiving, and issuing equipment, supplies, and services; making payments; and reviewing or auditing transactions.

#### **B-11. Supervision**

*a. Standard.* Qualified and continuous supervision is to be provided to ensure that management control objectives are achieved.

*b. Implementation.* This standard requires clearly communicating the duties and responsibilities assigned to each staff member; systematically reviewing each member's work to the extent necessary; and approving work at critical points to ensure that work flows as intended. Also, managers must guide and train their personnel to help ensure errors, waste, and wrongful acts are minimized and that specific management directives are achieved. Managers must continuously review and approve the assigned work of subordinates.

#### **B-12. Access to and accountability for resources**

*a. Standard.* Access to resources and records is to be limited to authorized individuals, and accountability for the custody and use of resources is to be assigned and maintained. Periodic comparison of resources and recorded accountability will be made to determine whether the two agree. The frequency of comparison should be a function of the asset's vulnerability.

*b. Implementation.*

(1) The basic concept behind restricting access to resources is to help reduce the risk of unauthorized use or loss to the Government, and to help achieve the directives of management. However, restricting access to resources depends upon the vulnerability of the resource and the perceived risk of loss, both of which should be periodically assessed.

(2) Other factors affecting access include the cost, portability, exchangeability, and the perceived risk of loss or improper use of the resource. In addition, assigning and maintaining accountability for resources can involve directing and communicating responsibility to specific individuals within an organization; or may involve the custody and use of resources in achieving the specifically identified management directives.

#### **B-13. Prompt resolution of audit findings**

*a. Standard.* Managers are to promptly evaluate findings and recommendations reported by auditors; determine proper actions in response to audit findings and recommendations; and complete, within established time frames, all actions that correct or otherwise resolve the matters brought to management's attention.

*b. Implementation.*

(1) This standard requires managers to take prompt, responsive action on all findings and recommendations made by auditors. Responsive action is that which corrects identified deficiencies. Where audit findings identify opportunities for improvement rather than cite deficiencies, responsive action is that which produces improvements.

(2) The audit resolution process begins when the results of the audit are reported to management. The audit resolution process is completed only after final action has been taken to correct identified deficiencies, produce improvements, or demonstrate that the audit findings and recommendations are either invalid or do not warrant management action.

(3) Auditors are responsible for the follow-up on audit findings and recommendations to ascertain that implementation of corrective actions has been achieved. Auditors' findings and recommendations should be monitored through the resolution and follow-up process.

(4) Top managers should monitor applicable audit findings and

recommendations, and be kept informed through periodic reports, to ensure the quality of timeliness of individual corrective actions.

## **Appendix C**

### **Management Control Evaluation Checklist**

#### **C-1. Function**

The function covered by this checklist is the administration of the management control process.

#### **C-2. Purpose**

The purpose of this checklist is to assist assessable unit managers and Management Control Administrators (MCAs) in evaluating the key management controls outlined below. It is not intended to cover all controls.

#### **C-3. Instructions**

Answers must be based on the actual testing of key management controls (e.g., document analysis, direct observation, sampling, simulation, other). Answers that indicate deficiencies must be explained and corrective action indicated in supporting documentation. These key management controls must be formally evaluated at least once every five years. Certification that this evaluation has been conducted must be accomplished on DA Form 11-2-R (Management Control Evaluation Certification Statement).

#### **C-4. Test Questions**

- a.* Are key management controls identified in the governing Army Regulations? (HQDA functional proponents only)
- b.* Are management control checklists provided or alternate evaluations methods identified to test key management controls? (HQDA functional proponents only)
- c.* Is there local management control guidance that defines management control responsibilities and required actions?
- d.* Are managers and MCAs trained in, and do they understand, their management control responsibilities?
- e.* Are explicit statements of management control responsibility included in performance agreements for commanders and managers down to assessable unit manager level?
- f.* Is a Management Control Plan (MCP) established and maintained to describe how key management controls will be evaluated over a five-year period?
- g.* Are management control evaluations conducted in accordance with the MCP and prompt action taken to correct any management control weaknesses detected?
- h.* Is the senior responsible official advised of potential material weaknesses detected through management control evaluations or from other sources?

#### **C-5. Supersession**

This checklist replaces the checklist for "Financial Management/Internal Controls-Section 2" previously published in DA Circular 11-89-1.

#### **C-6. Comments**

Help to make this a better tool for evaluating management controls. Submit comments to: ATTN SAFM-FOM, ASST SECY ARMY FINANCIAL MANAGEMENT, 109 ARMY PENTAGON, WASHINGTON DC 20310-0109.

## **Glossary**

### **Section I Abbreviations**

#### **AR**

Army regulation

#### **ASA(FM)**

Assistant Secretary of the Army (Financial Management)

#### **COE**

Chief of Engineers

#### **CONUSA**

Continental United States Army

#### **DFAS-IN**

Defense Finance and Accounting Service-Indianapolis Center

#### **DOD**

Department of Defense

#### **FOA**

field operating agency

#### **GAO**

General Accounting Office

#### **HQDA**

Headquarters, Department of the Army

#### **IG**

Inspector General

#### **MACOM**

Major Army Command

#### **MCA**

Management Control Administrator

#### **MCP**

Management Control Plan

#### **OASA(FM)**

Office of the Assistant Secretary of the Army (Financial Management)

#### **OMB**

Office of Management and Budget

#### **OSA**

Office of the Secretary of the Army

#### **OSD**

Office of the Secretary of Defense

#### **RCS**

requirements control symbol

#### **SA**

Secretary of the Army

#### **TAPES**

Total Army Performance Evaluation System

#### **TOE**

Table of Organization and Equipment

## **USAAA**

United States Army Audit Agency

### **Section II Terms**

#### **Alternative management control evaluation**

Any existing management review process that meets the basic requirements of a management control evaluation, i.e., it assesses the key management controls, it evaluates these controls by testing them, and it provides the required documentation. These existing management review processes may be unique to a specific functional area or they may be generic, e.g., the Command Inspection Program or audits by the internal review auditors.

#### **Assessable unit**

Reporting organizations are segmented into assessable units, which in turn are responsible for conducting management control evaluations in accordance with the MCP.

#### **Assessable unit manager**

The military or civilian head of an assessable unit. Assessable unit managers must be at least a colonel or GM-15, with the exception of Army garrisons, where an assessable unit may be headed by the senior functional manager. The assessable unit manager certifies the results of required management control evaluations.

#### **Comptroller General Standards**

The twelve standards issued by the Comptroller General to be applied by all managers in the Federal government in developing, establishing and maintaining management controls.

#### **HQDA functional proponent**

The HQDA principal responsible for policy and oversight of a particular functional area.

#### **Key management controls**

Those absolutely essential management controls which must be implemented and sustained in daily operations to ensure organizational effectiveness and compliance with legal requirements. Key management controls are identified by HQDA functional proponents in their governing ARs and establish the baseline requirement for management control evaluations conducted by assessable unit managers.

#### **Management controls**

The rules, procedures, techniques and devices employed by managers to ensure that what should occur in their daily operations does occur on a continuing basis. Management controls include such things as the organizational structure itself (designating specific responsibilities and accountability), formally defined procedures (e.g., required certifications and reconciliations), checks and balances (e.g., separation of duties), recurring reports and management reviews, supervisory

monitoring, physical devices (e.g., locks and fences), and a broad array of measures used by managers to provide reasonable assurance that their subordinates are performing as intended.

#### **Management control administrator (MCA)**

The individual designated by the senior responsible official to administer the management control process for a reporting organization. MCAs designated at lower levels would have similar duties.

#### **Management control evaluation**

A periodic, detailed assessment of key management controls to determine whether they are operating as intended. This assessment must be based on the actual testing of key management controls and must be supported by documentation (i.e., the individual(s) who conducted the evaluation and the date, the methods used to test the controls, any deficiencies detected and the corrective action taken).

#### **Management Control Evaluation Checklist**

One method for conducting a management control evaluation. The HQDA functional proponent may develop a standard checklist that addresses the key management controls and publish it in the governing AR. The purpose of a Management Control Evaluation Checklist is to provide managers a tool to help them evaluate the effectiveness of these key management controls.

#### **Management control plan (MCP)**

The written plan that describes how required management control evaluations will be conducted over a five-year period. The MCP need not be lengthy and any format may be used, so long as it covers the key management controls identified by HQDA functional proponents and communicates clearly to subordinate managers what areas are to be evaluated, who will conduct the evaluation, and when.

#### **Reasonable assurance**

An acceptable degree of confidence in the general adequacy of management controls to deter or detect material failures in complying with the Integrity Act objectives. The determination of reasonable assurance is a management judgment based on the effectiveness of management controls and the extent of management control deficiencies and material weaknesses.

#### **Reporting organization**

HQDA staff agencies (less Secretariat elements covered by the Administrative Assistant), MACOMs and separately-reporting FOAs. These are the organizations that submit annual statements directly to the Secretary of the Army.

#### **Risk**

The probable or potential adverse effects from inadequate management controls that

may result in the loss of Government resources through fraud, error, or mismanagement.

**Senior management council**

A committee or board of senior functional officials convened to advise the head of an organization on management control matters, to include the identification of management control weaknesses that merit reporting as material weaknesses. At HQDA, a senior management council is convened through special sessions of the Senior Level Steering Group (SLSG), chaired by the ASA(FM) and representing all HQDA functional proponents.

**Test question**

A question in a Management Control Evaluation Checklist designed to help an assessable unit manager determine whether a key management control is in place and operating as intended.

**Section III****Special Abbreviations and Terms**

There are no entries in this section.



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**RESERVED**

<b>MANAGEMENT CONTROL EVALUATION CERTIFICATION STATEMENT</b>  For use of this form, see AR 11-2; the proponent agency is ASA(FM).		1. REGULATION NUMBER
		2. DATE OF REGULATION
3. ASSESSABLE UNIT		
4. FUNCTION		
5. METHOD OF EVALUATION <i>(Check one)</i>		
a. CHECKLIST		b. ALTERNATIVE METHOD <i>(Indicate method)</i>
APPENDIX <i>(Enter appropriate letter)</i>		
6. EVALUATION CONDUCTED BY		
a. NAME <i>(Last, First, MI)</i>		b. DATE OF EVALUATION
7. REMARKS <i>(Continue on reverse or use additional sheets of plain paper)</i>		
8. CERTIFICATION		
I certify that the key management controls in this function have been evaluated in accordance with provisions of AR 11-2, Management Control . I also certify that corrective action has been initiated to resolve any deficiencies detected. These deficiencies and corrective actions <i>(if any)</i> are described above or in attached documentation. This certification statement and any supporting documentation will be retained on file subject to audit/inspection until superseded by a subsequent management control evaluation.		
a. ASSESSABLE UNIT MANAGER		
(1) TYPED NAME AND TITLE		b. DATE CERTIFIED
(2) SIGNATURE		



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